BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
OF THE STATE OF CALIFORNIA

APPLICATION FOR CERTIFICATION OF THE **ALLIANCE DREWS ENERGY FACILITY** **BY ALLIANCE COLTON LLC**	**DOCKET NO. 01-EP-5** **APPLICATION COMPLETED** **(MARCH 21, 2001)**

PROPOSED DECISION

As the Presiding Member of this case, Alliance Drews Energy Facility, I hereby recommend certification of this application under the limitations presented as proposed conditions contained in this order. The proposed facility has been the subject of a hearing and review by the staff of the California Energy Commission and is considered to meet the criteria developed to implement the Governor's Executive Order's expediting the permit process for peaking and renewable energy generating plants. This process has been completed in the time frame called out in the Executive Order and is submitted for approval by the full Commission.

Executive Orders

On January 17, 2001, the Governor proclaimed a State of Emergency due to constraints on electricity supplies in California. As a result, the Governor issued Executive Orders D-22-01, D-24-01, D-25-01, D-26-01, and D-28-01 to expedite the permitting of peaking and renewable power plants that can be on-line by September 30, 2001. Additionally, projects below 50 megawatts (MW) that have power purchase agreements with the California Independent System Operator (Cal-ISO) may also apply to be permitted by the Energy Commission under the emergency siting process. These emergency projects are exempt from the California Environmental Quality Act pursuant to Public Resources Code section 21080(b)(4). Since the Governor has declared a state of emergency, the Energy Commission may authorize

the construction and use of generating facilities under terms and conditions designed to protect the public interest. (Pub. Resources Code section 25705.)

Project Description

Alliance Colton, LLC (Applicant), proposes to develop the Alliance Drews Energy Facility (the project) a nominally rated 40 megawatt (MW), simple-cycle, natural gas-fired power plant to be located at 559 South Pepper Road, City of Colton, in San Bernardino County.

The project is currently under contract to supply capacity and energy to the California Department of Water Resources (DWR). This is a 10-year Power Purchase Agreement (PPA) beginning summer of 2001. The contract provides that the project is to be on line no later than August 1, 2001.

The project is a distributed generation facility[1] that consists of four 10MW simple-cycle, gas turbine generators located within an existing electrical substation owned by the City of Colton Department of Utilities. The project site is located in an area designated by the City General Plan as suited for electrical infrastructure. Applicant obtained a lease for the project site from the City of Colton in a competitive bidding process. The term of the lease is 15 years, with an option for an additional 10 years. The lease commenced January 31, 2000.

The project will have four General Electric model 10B1 simple cycle gas turbines, each nominally rated at 10.5 MW. Each of the proposed turbines requires a space of 35 ft. x 75 ft. The turbines are aproximately 22 feet high, with an exhaust stack elevation of 45 feet. All of the turbines and ancillary equipment will be located within the existing walls of the electrical substation.

The applicant will utilize the existing substation as a laydown area for equipment and other material necessary for project construction. The majority of equipment will be pre-assembled at remote locations prior to delivery, and delivered directly to new concrete foundations at the project site.

[1] A distributive generation facility is a relatively small generation facility located near the likely site of power utilization. Thus, the facility depends less on transmission infrastructure.

Public Hearing

On April 11, 2001 in the City of Colton, Michal Moore, the Energy Commissioner designated to conduct proceedings on this proposal, held a public site visit and informational hearing to discuss the project with governmental agencies, community organizations, and members of the public. At the hearing, Applicant described the project and Energy Commission staff explained the Energy Commission s expedited review process. Local residents and other members of the public presented comments and asked questions about the project.

Issues of Concern

The following issues were identified at the hearing and during the review and consideration period that followed.

Odor from the ammonia if it is used as part of the SCR process.

Camilla Herrera asked if any ammonia used would emit an odor and, if so, for what distance? The Applicant responded that if the project uses SCR, which requires aqueous ammonia, by the time the exhaust plume is dispersed from the site, the ammonia level would normally be 1 part per million (ppm) which should not be detectable by smell and which does not pose a health hazard.

Air Quality

The project will be constructed and then operated in two phases. The first phase of operations will include operation using dry low-NOx technology. The second phase is expected to commence upon installation of XONON emissions control technology[2] or selective catalytic reduction (SCR) to reduce oxides of nitrogen (NOx) and CO emissions to meet or exceed the Air District s rules for best available control technology (BACT) for prime power simple cycle units (5 ppm). Applicant has applied for a Title V Federal operating permit from the South Coast Air Quality Management District (Air District) which would allow either the XONON technology or

[2] This technology involves a catalytic technology that combusts fuel flamelessly.

SCR, so long as the selected technology meets BACT levels for NOx which is 5 parts per million (ppm) at 15 percent oxygen level for a simple-cycle turbine. The application seeks permission to operate each unit for no more than 2415 hours annually.

Pursuant to Executive Order Nos. D-24-01, D-26-01, and D-28-01, a Compliance Order is being jointly proposed by the Air District and Applicant to defer the date on which control systems must be in place to no later than December 15, 2001. This will allow the project to operate during the summer of 2001. The uncontrolled NOx emissions are expected to be at or below 25 ppm. The draft permit and compliance order were published on March 29, 2001, beginning the requisite 30 days public notice period. Offsets are required for NOx and Applicant is working with the Air District to determine an available bank or private party from which to purchase or acquire the necessary offsets. The decision whether to use XONON or SCR is expected in early May, 2001. In any event, the BACT must be in place no later than December 15, 2001, in accordance with the draft permit and compliance order.

If the Applicant selects SCR as the BACT, aqueous ammonia (water and ammonia) will be used in the control process and a 10,000 gallon tank of acqueous ammonia will be located at the project site. The tank will be located in a spill prevention area. The choice of an inherently safe form of ammonia would result in a very low emission rate in the event of accidental release of ammonia. If XONON is selected, no potententially hazardous materials are used in the process and therefore none will be located at the project site. The only other potentially hazardous materials that will be used routinely on the site are the lubrication oil used within the turbines and transformer oil used within the new transformer. The turbines and the transformer will be placed on foundations designed to capture 100 percent of any oil spill.

Transmission Facilities and Engineering

The project will interconnect with existing facilities at Colton s Drews Substation through 12 kV switchgear including two new circuit breakers. The generators will be located adjacent to the existing substation and will require no significant transmission facilities for interconnection. There are no significant transmission issues. Based on the results of the Southern California Edison (SCE) interconnection study, the operation of proposed generators at the Drews substation will not require

downstream linear electric facilities and will comply with safety standards. The operation of the proposed gas turbines at the Drews substation appears to reduce the loading on lines bringing power from the SCE service area into Colton. Applicant may be required to replace circuit breakers in the SCE service area but that will be determined by a Facilities Study which will be completed at a later date. Thus, the interconnection of the project will not require the construction of downstream facilities and there are no significant transmission issues.

Fuel Supplies-Natural Gas

Natural gas interconnections including the meter will be supplied by SoCal Gas. Gas line extensions will be designed, permitted, and constructed by SoCal Gas. The formal fuel interconnection application was submitted for the gas line extension in December 2000. The estimated natural gas usage for each turbine is 123,000 cf/hr.

Noise

Existing noise sources in the vicinity of the project include traffic from Interstate10 and intermittent railroad noise, both of which are generated approximately 0.5 miles to the north of the project site. Additional noise in the project area is generated by operations at the California Portland Cement Company located east of the project site. Noise impact information supplied by the applicant indicates that project noise levels at the property line are projected to be 75 dBA which exceed the 65 dBA level established by the City of Colton Noise Ordinance. The Applicant has applied for and received from the City of Colton a variance which allows noise levels up to 75 dBa (about the level of normal conversation) due to the remote location of the project.

Biological Resources - Endangered Species

The project is located on the Santa Ana River floodplain. This area contains a number of highly sensitive and listed species; such as the Santa Ana River woollystar, Santa Ana sucker, San Diego horned lizard, Delhi Sands Flower-loving fly, San Bernardino kangaroo rat, Los Angeles pocket mouse, and burrowing owl. Habitat for the Los Angeles pocket mouse and Delhi Sands Flower-loving fly surrounds the project site which was previously constructed in a manner to avoid further deterioration of habitat or threat to remaining endangered species in the

immediate area. This includes restricting vehicle or pedestrian access to an existing road with strict conditions on access and egress.

All construction will be conducted within the existing substation and along existing roads. Equipment will be staged in the substation or on existing access roads, and personal vehicles will be parked outside the substation gate on Slover Avenue or Pepper Avenue. Thus, habitat will be completely avoided and no impacts to listed species are expected. Additional mitigation measures will be taken in consultation with USFWS to ensure the protection of sensitive species and their habitat.

A gas pipeline and associated equipment will be installed along existing roads on the south end of the site in accordance with United States Fish and Wildlife Service (USFWS) requirements. A connection to the existing gas pipeline will cross the service road and traverse the fly habitat for a short distance. Excavation will be done under supervision of USFWS and State Fish and Game authorities under permit.

The air filtration systems for the turbines are designed in such a manner that they pose no danger to animal or bird life, or even small insects. The filters are self-cleaning with sensors to detect any reduction in intake pressure which activates the cleaning process and alerts the operator of a problem

Water Supply

The project does not require water to control emissions. Potable water is required, however, for the evaporative coolers on the turbine air intake. Applicant has a verbal agreement with the West San Bernardino County Water District to extend a water line to the site from a tap on Pepper Road near the railroad tracks. The District will construct a new water pipeline along the north side of Slover Avenue to Pepper Avenue, where it will tie into an existing but unused 2-inch water line that extends south to the project site. Net increase in water use is expected to be the equivalent of a single family residence measured on an annual basis.

Land Use and Fiscal Concerns

The project site is located in a partially developed area intended for industrial uses within the City of Colton. There are no structures on parcels immediately adjacent to

the site to the north, west, or south, as the facility is surrounded by protected Delhi Sand flower-loving fly habitat and potential habitat for the Los Angeles pocket mouse. Existing land uses in the the project vicintiy include the California Portland Cement Company to the east, and an existing railroad line to the north, across Slover Avenue. Beyond the railroad line lies Interstate 10.

Although financial arrangements between Alliance Power and General Electric are confidential and have not been disclosed, staff estimates that the total cost of the proposed project would likely be on the order of $40 Million. As Alliance Power has signed a lease with the City of Colton that requires the existing substation to be returned to its original condition upon termination of the lease, the project is not expected to impact the assessed property value of the existing substation, now or in the future. In addition, because the existing substation is City owned and does not provide property tax revenue to the city, the project would have no impact on current property tax revenues collected by the City of Colton. Alliance will provide annual lease payments to the city for use of a portion of the substation.

Public Comment

Gary Anderson, who is affiliated with Clear Lake Energy which is seeking one or more emergency siting permits from the Commission, spoke in favor of the project.

Staff Assessment

On April 20, 2001, Energy Commission staff issued its Staff Assessment, which is attached hereto and incorporated herein by reference. Staff conducted a fatal flaw analysis and found no areas of major concern related to the project.

The conditions contained in the Staff Assessment are hereby adopted as the Conditions of Certification for the Alliance Drews Energy Facility project

Authority to Construct Permit

As noted above, on March 7,2001, Applicant filed an application with the Air District for an ATC permit. The ATC permit is a requirement of the U.S. Environmental Protection Agency (USEPA). The application is subject to a 30-day notice and public

review and comment period that commenced on March 29, 2001. The ATC permit shall become effective on the date designated by the Air District, including any modifications approved during the comment period. The conditions and any modifications thereto contained in the ATC permit shall be incorporated herein by reference on the effective date of the ATC permit.

Recommendation

I am confident that implementation of the Conditions of Certification contained in the Staff Assessment, the Authority to Construct Permit, and the additional conditions described below as well as the mitigation identified in the application and contained in the record ensure that the proposed facility will be designed, sited, and operated in a safe and reliable manner to protect the public interest. Therefore, I recommend that the Energy Commission adopt this Proposed Decision and certify the Alliance Drews Energy Facility as described in this proceeding.

Findings, Term of Certification, Permit Verification, and Amendment

The project is a simple-cycle project that will operate during periods of high demand and Applicant requests certification for the life of the project. Construction will begin upon issuance of the Authority to Construct (ATC) permit by the Air District. At the time of the informational hearing, the 4 turbines for this project had been shipped from Italy and are scheduled to arrive in Long Beach on May 15, 2001, with delivery to the project within two days thereafter. All four turbines are expected to be delivered, set up, and energized by July 4, 2001. The expected hours of operation may not exceed 2415 for each turbine based on the limitations of the permit sought from the Air District.

Findings and Conclusions

1. There is an energy supply emergency in California.

2. All reasonable conservation, allocation, and service restriction measures may not alleviate the energy supply emergency.

3. Public Resource Code section 21080(b)(4) exempts emergency projects from the requirements of the California Environmental Quality Act.

4. Executive Order D-28-01 states that [a]ll proposals processed pursuant to Public Resources Code section 25705 and Executive Order D-26-01 or this order [D-28-01] shall be considered emergency projects under Public Resources Code section 21080(b)(4).

5. Alliance Drews Energy Facility is a simple-cycle facility that will operate during periods of high demand.

6. The Application for Certification of the Alliance Drews Energy Facility has been processed pursuant to Public Resource Code section 25705 and Executive Orders D-26-01 and D-28-01.

7. Pursuant to the Executive Orders cited above, Alliance Drews Energy Facility is expected to be on-line by August 1, 2001, and no later than September 30, 2001, in order to help reduce blackouts and other adverse consequences of the energy supply emergency in the state.

8. In order for the Alliance Drews Energy Facility to be on-line by August 1, 2001, and no later than September 30, 2001, it is necessary to substantially reduce the time available to analyze the project.

9. To the greatest extent feasible under the circumstances, the terms and conditions specified in this Decision (1) provide for construction and operation that does not threaten the public health and safety, (2) provide for reliable operation, and (3) reduce and eliminate significant adverse environmental impacts.

Conditions of Certification

Alliance Drews Energy Facility shall be certified for the length of the project if at the expiration of its power purchase agreement with the California Department of Water Resources (DWR), the project owner can verify that the project meets the following continuation criteria. The certification shall expire if the continuation criteria are not met. Within 30 days of executing a power purchase agreement with DWR, the

Applicant shall notify the Energy Commission s Compliance Project Manager (CPM) regarding the duration of the agreement with DWR.

At least six months prior to the expiration of its power purchase agreement with the DWR, the project owner shall provide verification that the project will meet the following criteria in order to continue the permit through the life of the project:

1. The project is permanent, rather than temporary or mobile in nature.

2. The project owner demonstrates site control.

3. The project owner has secured permanent emission reduction credits (ERCs) approved by the South Bay Air Quality District (Air District) and the California Air Resources Control Board (CARB) to fully offset project emissions for its projected run hours prior to expiration of the temporary ERCs obtained from CARB.

4. The project is in current compliance with all Energy Commission permit conditions specified in the Decision.

5. The project is in current compliance with all conditions contained in the Authority to Construct permit from the Air District.

6. The project meets all Best Available Control Technology (BACT) requirements under Air District rules and CARB requirements.

Monitoring Conditions

The project owner shall comply with the following monitoring conditions in addition to the Permit Verification process contained in this Decision and in addition to the General Compliance Conditions delineated in the Staff Assessment and incorporated herein by reference:

Start of Operations: Alliance Drews Energy Facility shall be on-line by the expected date of operation of August 1, 2001, or the earliest possible date thereafter, but no later than September 30, 2001. If Alliance

Drews Energy Facility is not operational by September 30, 2001, the Energy Commission will conduct a hearing to determine the cause of the delay and consider what sanctions, if any, are appropriate. If the Energy Commission finds that the project owner failed to proceed with due diligence to have Alliance Drews Energy Facility in operation by September 30, 2001, the Energy Commission will set a specific date by which Alliance Drews Energy Facility must be brought on-line as a condition precedent to continue the certification.

BACT Standards: Operation of Alliance Drews Energy Facility shall be in compliance with all Best Available Control Technology (BACT) standards imposed by the Air District in its Authority to Construct permit. Failure to meet these standards will result in a finding that Alliance Drews Energy Facility is out of compliance with the certification.

Three-Year Review: No later than 15 days after completion of the first three years in operation, Alliance Drews Energy Facility shall submit to the Energy Commission a report of operations that includes a review of Alliance Drews Energy Facility s compliance with the terms and conditions of certification, the number of hours in operation, and the demand for power from the facility during the three year period.

Dated April 23, 2001, at Sacramento, California.

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Commissioner Michal Moore, Presiding
Emergency Siting Committee on the
Alliance Drews Energy Facility